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London Municipal Society

Municipal trading

Westminster

[1902?]

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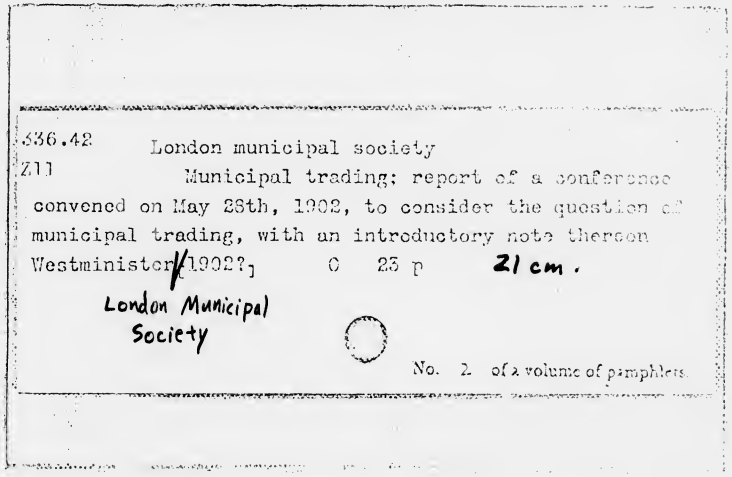

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MUNICIPAL TRADING.

Report of a Conference

CONVENED BY THE

LONDON MUNICIPAL SOCIETY

On MAY 28th, 1902,

TO CONSIDER THE QUESTION OF

MUNICIPAL TRADING.

WITH AN

Introductory Note thereon.

PUBLISHED BY

THE LONDON MUNICIPAL SOCIETY,
SANCTUARY HOUSE, 11, TOTHILL STREET,
WESTMINSTER. S.W.

LONDON MUNICIPAL SOCIETY.

OBJECTS.

1.—To promote the effective and economical working of the system of London Government, created by the Unionist Party, in order that the Metropolitan boroughs may make the best possible use of the municipal privileges and powers extended to them, and that the Metropolis, as a whole, may have its affairs administered to the utmost advantage by the County Council.

2.—To direct public attention to the rapid growth of the municipal debt of London, and to the continual increase in the rates, with the object of enforcing upon all the local authorities the urgent necessity for adequate control of capital expenditure and for strict economy in general administration.

3.—To press for a thorough administration of the Unionist measures, the Housing of the Working Classes Acts, 1890 and 1900, and the Public Health Act, 1891, and for such amendments and extensions of those Acts as experience shows to be necessary to secure healthy homes for the people.

4.—To advocate the improvement of primary and secondary education; the more equitable distribution of the burden of local taxation; the promotion of better means of locomotion in London and the suburbs, and the use of electric traction; the execution of street and other improvements, and the preservation of open spaces with due regard to the claims of all parts of London; the advancement of money by local authorities to enable persons to acquire the ownership of small houses in which they reside; and generally to bring municipal and social questions under public consideration, with a view to sound administration and practical reforms.

METHODS OF ACTION.

The Society forms a centre of communication for Unionists and others who agree with the above objects; provides speakers and lecturers; collects and disseminates information upon London questions; assists in securing, and supports, suitable candidates at municipal elections watches Parliamentary and other proceedings affecting London interests; and generally brings together Unionists for consultation and combined action, with a view to ensuring to them adequate representation in the municipal affairs of the Metropolis.

CENTRAL OFFICE—
SANCTUARY HOUSE, 11, TOTHILL STREET, WESTMINSTER, S.W.

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INTENTIONAL SECOND EXPOSURE

LONDON MUNICIPAL SOCIETY.

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MUNICIPAL TRADING.

INTRODUCTORY NOTE.

The question of municipal trading opens up so large a field of discussion that Major Darwin and the other speakers at the Conference held at the Constitutional Club, London, on May 28th last, had in their limited time to be dogmatic rather than argumentative or explanatory.

As an introduction to the Report of this Conference, and for the convenience of those who have not had the opportunity of digesting the evidence given before the Select Committee on Municipal Trading, it may be useful to provide a short note thereon.

The Committee, which was appointed in May, 1900, gathered some exceedingly useful information as to the extent of municipal trading, and went fully into the case presented by its advocates. However, the rising of Parliament interrupted the inquiry, and prevented the views of private consumers and traders being adequately placed before the Committee. Unfortunately, the Committee was not re-appointed in the following Session, and consequently made no report. The suggestion of Major Darwin that the Government should be urged to re-appoint the Committee met with the general approval of the Conference.

It would appear from the evidence that the advocates of municipal trading (chiefly municipal officials) place no limit on the nature and extent of municipal enterprise in trading undertakings, provided that there is a prospect of making a profit.

The supporters of municipal trading range from those seeking profits to diminish the rates, to Socialists, who, regardless of profit or loss, desire to put their theories into practice.

The opponents of municipal trading broadly take the position that the work of the municipality should be confined to undertakings connected with sanitary matters, or to monopolies of services or functions necessary to the whole community. They argue that such undertakings should be limited to those objects which are not only generally necessary to the whole community, but in their nature possess the attributes of monopoly. The provision of bread or boots, though a general necessity, is outside this definition, as there is no monopoly of supply; and if there existed a monopoly of supply of an article such as tobacco, the municipality would not be justified in undertaking it, as it is not a necessity, or generally required by the whole community. It is a question of degree which needs consideration in each case. Where there is a partial monopoly of public property by a private undertaking (as in the case of the occupation

of a portion of the road by tramways) the municipality may be justified in acquiring the undertaking; but in such a case many witnesses state that they would prefer public control to public management Again, private enterprise is preferable even in the case of a trading undertaking in the nature of a monopoly, unless the municipality can manage it more efficiently. Other witnesses, while agreeing that municipalities may directly supply a natural provision, such as water, are strongly opposed to their being allowed to manufacture or supply manufactured articles.

The arguments of those opposed to municipal trading can be classified under two heads:—

I. On principle—
that trading
- (*a*) Is not the proper function of a municipality.
- (*b*) Is an unfair competition with the trading ratepayers.
- (*c*) Acts as a check to private enterprise, and to the introduction of improvements.
- (*d*) Tends to create monopoly.
- (*e*) Is accompanied by political dangers—especially those connected with the direct employment of a large number of employees who are electors—and often leads to corruption.

II. On financial grounds:—
- (*f*) The probability of loss through the absence of the ordinary business stimulus.
- (*g*) The enormous addition to municipal debt, largely for the purpose of conducting speculative undertakings.

In addition to these objections, it is further urged that there is considerable indirect mischief attending municipal trading, viz.:
- (1) The neglect of the primary functions of local government;
- (2) The deterioration of the *personnel* of municipalities owing to the large demand on the time of Councillors.

The arguments in support of these objections may be thus shortly stated:—

(*a*) *Is not the proper function of a municipality.*

The primary duties of municipal authorities were the relief of the poor; police protection; construction, maintenance, and lighting of roads; and all matters connected with sanitation. To these duties were subsequently added the provision of certain educational facilities, and the acquisition of parks and open spaces. In other words, the proper function of a municipality is to provide for the community more healthy and elevating conditions of life which could otherwise only be enjoyed by the few.

One of the main objects of the Municipal Corporations Act of 1835 was to abolish the restrictions on trade and similar abuses which had characterised municipal government. It was for this that the old Corporations were reformed, and the policy of freedom for industry then adopted has led to the enormous expansion of our industrial centres. Undoubtedly, municipal trading tends to create

municipal monopolies, and so to reintroduce the evils which existed prior to the Municipal Corporations Act; in fact, it defeats the very object of the Act as set out in Section 14, which reads as follows:—"Be it enacted that notwithstanding any custom or bye-law, every person in any borough may keep any shop for the sale of all lawful wares and merchandise by wholesale or retail, and use every lawful trade, occupation, mystery, and handicraft for hire, gain, sale, or otherwise within any borough." Thus the policy of freedom of industry is being steadily supplanted by municipal protection and monopoly.

(*b*) *Is an unfair competition with the trading ratepayers.*

The ratepayer finds himself in competition with a municipal rival trading with funds raised by rates to which he partly contributes, and with cheaply borrowed money secured partly on the rateable value of the property in which he carries on his business.

A curious result is that in many instances the ratepayer conducts his business subject to inspection by his municipal rival.

(*c*) *Acts as a check to private enterprise and the introduction of improvements, and*

(*d*) *Tends to create monopoly.*

Lord Avebury in his evidence stated (Q. 1555) that "A great deal of the improvements in many of these directions have been from new inventions and patents, and I do not think that municipalities are so likely to take them up as private investors are. . . I think that the tendency of what has been done (by municipal trading) has been to check the development of electrical enterprise in this country very much." Mr. Sydney Morse (Q. 886): "Has your attention been called to the large number of provisional orders which have been obtained by municipalities, which provisional orders remain up to the present time blank orders?" "Yes; we find in a very large number of cases that municipalities have really taken orders to block the field." Again (Q. 848), on the question of competition and check to progress, Mr. Morse said: "We find that a municipality having gasworks opposes electric lighting very often on the ground that it will seriously affect the money invested in the gasworks by the municipality which has been obtained on loan from the rates." Lord Avebury (Q. 1556): "Would you say that the possession of a gas enterprise by a Corporation would tend to prejudice them against the introduction of any electric light scheme?—(A.) That is certainly my impression. . . . I was chairman of the Edison & Swan Co. at one time, and certainly my impression was that we then had greater difficulties in dealing with municipalities which had invested in gas, because they thought we were introducing a competing light, and interfering with the value of their property." Another instance was given by Mr. Henry Dixon Davies (Q. 2591-99). The General Power Distribution Bill of 1897, which had for its object the establishment of a central generating station to supply electric power for manufacturing purposes in a large area in the

Midlands, including Nottingham, Sheffield, and Doncaster, was vigorously opposed by several of the important corporations in the proposed area of supply. The Association of Municipal Corporations organised opposition to the Bill, and by moving many Corporations not interested to bring pressure to bear upon their Members of Parliament to oppose the Bill, obtained its defeat.

Similar action was taken in the case of the Mond Gas Bill, 1901, which was a proposal to supply Mond Gas (a new invention) to manufacturers in a large area in Staffordshire and Worcestershire. Of the 27 local authorities in that area, 12 petitioned against the Bill; of these 7 were municipal traders in gas. The Bill was defeated.

These instances (which could easily be multiplied) amply show how pernicious and unjust is the action of municipalities in the protection of their vested interests, which has resulted not only in a considerable check to industrial enterprise and invention, but has also deprived manufacturers of the much cheaper motive power which these large distributing companies would have provided.

That it is the tendency of municipal trading to check private enterprise, retard the introduction of improvements, and create a monopoly, is clearly proved by a resolution passed by the Municipal Corporations Association (Q. 851): "That this association affirms the principle that where local authorities have, with the sanction of Parliament, established, or are in course of establishing, undertakings for public benefit, and have not failed in their duties, it is not right or expedient that powers should be granted to companies to compete with them."

(*e*) *Is accompanied by political dangers, especially those connected with the direct employment of a large number of employees who are electors, and often leads to corruption.*

The danger is twofold. There is the temptation to the municipal candidate to make a bid for votes by promising to directly employed electors better conditions of employment, such as higher wages and shorter hours; and the inducement to the employees to collectively promise their votes to the candidate who offers the highest pecuniary bid. At Q. 1364 Lord Avebury says: "There seems to be an intrinsic difficulty in members of municipalities settling the wages of their own constituents. I put it forward certainly as being a reason, and a strong reason, why municipalities should not be involved in transactions of this kind, unless there are very overwhelming reasons to the contrary." Lord Avebury referred to a poster issued in support of a municipal candidate, "Vote for ————, who would pay the scavengers a higher rate of wages." A later instance of a similar kind occurred at the General Election of 1900, in Bermondsey, where a leaflet was circulated asking the electors to vote for the Radical candidate, "who fought for and secured the ten hours' day and better wages for the tramway men." Sir T. Hughes, a Liverpool alderman, although an advocate of municipal trading, in Q. 2304 says: "I do feel that there is a danger in municipalities having so many under-

ERRATA.

On page 6, line 11, delete "The Bill was defeated," and insert "This Bill ultimately passed, in spite of the opposition of the municipal authorities."

On page 8, line 1, for "Thirteenth" read "Thirtieth."

takings, thereby creating a very great number of employees who might become a danger. . . . I should not regret if it were made part of the conditions that a man taking an employment in a municipality should not exercise his vote for municipal purposes while so employed. I have known an instance where combination was the occasion of a very good man being thrown out of his position as a Councillor simply because they thought he did not favour that particular class." Mr. James Kelly, a magistrate for Glasgow (Q. 3446), said: "I think in Glasgow the risk (attaching to the increasing number of municipal employees) is very considerable. . . . They do exercise a considerable influence in the wards in which they are mostly located, and some of the candidates who stand for election make a point of bringing before the voters the special claims of the employees of the Corporation." Q. 3448: "I have here a circular issued on behalf of some of those candidates, which confirms what I have said." Then, at Q. 3449, he refers to "a discussion raised in the Town Council with regard to increase of wages to a section of the employees: one member who voted in favour of the increase said he would make the constituents of another member who voted against it aware of the position he had taken up, which I think was an undue influence."

The objections on financial grounds are as follows:—

(*f*) *The probability of loss through the absence of the ordinary business stimulus.*

Apart from the absence of the stimulus of individual gain, without which it is not possible to get that close consideration of detail and study of improvement upon which financial success so entirely depends, the great demand on the time of municipal councillors precludes the devotion of sufficient consideration to the principal municipal problems, which are of great complexity and difficulty, and also prevents men engaged in business and professions from entering into municipal life. Lord Avebury, at Q. 1566, says: "I could not help feeling, when I was a member of the London County Council, very often from the necessity of the case, having so much to do, we were obliged to come to decisions without having the time or opportunity to give them all the consideration they deserved, and of course the more you pile business upon the London County Council and the other municipalities the more you increase that difficulty. One of the last pieces of advice which Lord Rosebery gave to the London County Council from that point of view was, 'Do not break the back of the Council.' The time which it takes now to do the duties properly of a member of the London County Council is very heavy, and I suppose we all of us know that it is becoming more and more difficult to get candidates who are really able to give the time and attention to all these problems."

(*g*) *The enormous increase of municipal debt.*

The rapid growth of municipal debt is shown by the following

figures, taken from the Thirteenth Annual Report of the Local Government Board :—

Year.	Amount of Loans outstanding (gross).
1874–75	£92,820,100
1898–99	276,229,048

The outstanding loans of local authorities had therefore increased by £183,408,948, or 197·6 per cent., in 1898-99, as compared with 1874-75. The amount of debt per £ of rateable value was about 16s. in 1874-75, and £1 12s. 1d. in 1898-99. Nearly one-half of this outstanding debt has been incurred in connection with municipal trading.

The debt of London in 1900-1 was £54,243,724. The debt involving a charge on the rates has increased from £32,767,797 in March, 1889, to £45,641,887 in March, 1901.

So large a proportion of the municipal debt being incurred for the purpose of carrying on speculative undertakings must materially affect the rate of interest at which municipalities can obtain loans, and will thus deprive the municipal trader of almost his only advantage over the private trader. Lord Avebury, at Q. 1551, says: "We have seen that of late the tendency has been for the rates made by municipalities to be increased, partly, no doubt, as I venture to think, owing to this tendency to engage in these commercial operations."

The object of this Introductory Note is to draw attention to the objectionable character of Municipal Trading on principle, quite apart from the question of profit and loss. Other objections are dealt with in the Report of the Conference, but it must ever be borne in mind that the great danger attending Municipal Trading is that it constitutes the most formidable weapon of the Socialists—for Municipal Trading is Municipal Socialism.

MUNICIPAL TRADING.

CONFERENCE

Held under the auspices of the London Municipal Society

AT THE

CONSTITUTIONAL CLUB, ON WEDNESDAY, MAY 28, 1902,

SIR EDWARD CLARKE, K.C.

(Chairman of the Council of the Society),

IN THE CHAIR.

The CHAIRMAN: As chairman of the Council of the London Municipal Society I have the pleasure of presiding over this Conference on the very important question of "Municipal Trading." I do not propose to make any long speech, but there are just two or three remarks I desire to offer for your consideration. In the first place, we cannot discuss the action, or the wisdom of the action, of any municipal authority in this country as if that authority were being now created. It may be that if a new town were built on the banks of the Thames, with all the advantages of the cheapest building and roads, lighting, and so on; if you had to deal with an absolutely new state of things, there would be reasons for the activity and action of a municipality in certain directions, which is quite distinct from cases where a municipality has long existed, and where it takes action which interferes with established institutions.

The second observation is this: That we must never think of action taken in a particular direction without considering the antagonism thereby aroused. The measure of the influence of a great man or proposal upon the age is sometimes to be found in the amount of friction that he or it creates; and it may be that a very wholesome action, if the field were entirely clear, would be a very mischievous action if it provoked antagonism of personal interests.

A third consideration is this: The danger of associating the interests of a whole population with a particular scheme is that, if a better scheme be brought into the field, the vested interest is not the vested interest of individuals or of a private corporation, but the vested interest of the whole community, and that vested interest is much more difficult to overcome and defeat than the vested interest of any trade or individual.

Those are three points to be remembered in the course of the discussion, which is absolutely free and open to all. We want to hear the strongest opinions expressed in the strongest way. It is no use at a discussion of this kind to have courteous modifications of opinions with a view to conciliate opponents. Let us have everything as strongly and clearly stated as need be. It is only then that we can understand the forces that are at work.

Major LEONARD DARWIN:—In opening a discussion on Municipal Trading the difficulty certainly does not lie in any lack of matter; and I fear that the only chance of bringing my remarks within reasonable limits is to be dogmatic and not argumentative. The subject is large, and is daily becoming larger, because the demands made by municipalities are constantly increasing; and, in consequence of this increase, it is becoming more and more important to decide where the boundary should be drawn beyond which it is not wise for local authorities to tread. The logical way to attack this problem is to take each enterprise, the municipalisation of which has been undertaken or suggested; to weigh carefully all the arguments for and against public management as they are applicable to each one separately; and then to decide in which cases municipal enterprise is on the whole advantageous. Everyone who goes through such a process must come to the conclusion that some enterprises, whether they be called trades or not, are best managed by local elected bodies, whilst others are not. Some here present may be surprised to learn that there were recently towns in the United States where the sewers were in the hands of private companies, being worked commercially for a profit; but no one would now venture to express such an unbounded admiration for private enterprise as to advocate handing over our sewage system to private control. Most of us would, I think, agree that markets, baths, and cemeteries had better not be in private hands; and, broadly speaking, where the service tends to become a monopoly, where it is easily managed, and where health and not profit is the main object, these proposals for municipalisation may often be favourably considered. On the other hand, I hope we are all determined to set our faces against the municipalisation of all truly competitive industries; including (though here I doubt getting quite universal assent) the actual building of houses. But, with each one of us, cases will arise where there is a doubt in our minds. My own view is that water supply is, as it were, on the dividing line, and that, whilst in some circumstances it is better left in the hands of private companies, in other cases it would be wise for the municipalities concerned to purchase it. As to gas, electricity, and tramways, I believe they are always better left in private hands; though possibly it may not be wise to retransfer them to private hands if once municipalised.

After separating the enterprises under consideration into these two great classes—those which it is right to place under the control of public bodies and those which it is not—we should naturally wish to discover some formula by which to distinguish the two; a formula

by which we could in future decide at once whether any particular enterprise should or should not be municipalised. With regret I must confess that I have found it impossible to discover any such general guiding principle. Water supply is worked by private companies for a profit on purely commercial principles; and if we once admit, as I do, that it may often be right to municipalise it, we shall find it very hard to discover any simple form of words which will cover this action and yet condemn the municipalisation of other commercial ventures, which most of us wish to see remain in private hands. Each case must be judged separately by the way in which the balance will turn when the scales are loaded with all the conflicting arguments, there being no royal road to a simple solution of the problem.

Nor do I think any such formula would be as useful as would at first sight appear probable. If we tell the advocate of municipal enterprise that the establishment of municipal electrical works is against our formula, whatever it may be, he will simply tell us that that formula must be altered. He will not be stopped from doing something he thinks beneficial by any such intangible barrier as an abstract principle. Our task must always be to convince him that his proposal is really injurious.

But if we believe that municipalities are advancing beyond their proper boundaries, and if we cannot hedge them in with any simple fence of words, is there no indirect means of preventing them from going too far? Several suggestions have been made, but as to none of them am I very hopeful. It has been proposed, for example, that a limit should be placed on the borrowing powers of municipalities, and that in this way their wings might be clipped. But our constitution is founded on the principle of trusting largely to subordinate local bodies, and I am doubtful if it would be possible to induce Parliament to sanction any such rigid limitation of their powers without reference to special circumstances. Moreover, such limitation would produce some harmful results. Where the spirit of municipal enterprise is keen, such a limitation of borrowing powers might induce local bodies to neglect some of their more legitimate functions; whereas, as to places where there is no such keen spirit, it must be remembered that all limitations have a tendency to produce an advance towards the limit imposed. By being induced to borrow up to a limit, some municipalities might borrow more than they would have done if their powers had been unlimited. Another proposal which has been made is that municipalities, when they trade, should not be allowed to make any profit, or, if they do make a profit, that it should not be devoted to the relief of taxation. But this does not appear to me to be a logical prohibition, or one that can well be enforced in the cases where municipalities have paid off the debts caused by starting their municipal enterprises.

I fear, in fact, that neither by formulas nor by limitation of borrowing powers must we hope to be able to stem the advance of municipal enterprise. All such proposals either are illogical, or they could not be forced through Parliament, or they would do

harm. But there are subjects which are specially suitable for discussion, and if I can be proved to be wrong in my view, no one will be more pleased than myself.

But if I am right in believing that we shall have for a time to combat every proposal for any new extension of municipal enterprise by an actual proof that such an extension would be harmful, it certainly follows that we must have our battery of arguments ready for action at a moment's notice. I am now on ground which is familiar to us all, and I allude to it merely to suggest that the strongest arguments are not those which are most prominently brought forward in debate. According to my views, somewhat too much prominence is given, as a rule, to the financial aspects of this question. As to the claim made by the advocates of municipal trade that taxation is thereby reduced, it is true that we can show that that claim has no solid foundation. But can we prove by reference to figures that municipal trading is a source of loss? I am convinced that municipalities cannot trade as cheaply as private traders. They have not the same incentives to economy, they pay their workmen at a higher rate and exact less work, and are composed on the average of less capable men of business than boards of directors. But can we prove this by reference to statistics? I think not. Our statistical records are not sufficiently complete or accurate to enable us to say for certain what have been the average financial results of municipal trading. If anyone can extract the truth from them he will be doing good service. But in the meantime, though our belief may be strong that taxation is being increased in this way, such a belief does not form the foundation of a very convincing argument. I think we should rely rather on other and stronger arguments, which cut at the very roots of municipal trading. Two of these only will I mention, namely, the check on private industry, and the tendency to corruption. As to the former, we are all familiar with the effect which municipal house building is said to have had on private trade; and on this point I think we should continually keep pointing out that the best available evidence points to the conclusion that if the London County Council had built no houses whatever, there would now have been more houses available for the working classes. Much has been written lately as to the connection between municipal trading and the undoubted backwardness of electrical industry in England. In the United States, where private trade is exceptionally free from hindrances, there were in 1896, or thereabouts, over 10,000 miles of electrical tramways, whilst in England and Scotland at the same date there were only about twenty miles. The desire for municipal trading is, I am convinced, the main underlying cause of our inferiority. I heard the other day of a lecturer, when lecturing on behalf of the Progressive party on the London County Council, showing lantern slides of the electrical cars which they were about to run on their tram lines. How easily are the people deluded! Such cars would have been running in every main thoroughfare for

miles round London years ago if it had not been for the principles advocated by the Progressive party!

The one other argument that I propose to mention is the increased probability of corruption: an argument which tells with the greatest force against municipal house owning. Lord Rosebery is reported to have said the other day that he thought a certain local authority had exercised a "wise discrimination" in refusing to take as high rents as they could have obtained for their tenements. Obviously, in these circumstances, the number of applicants will be much greater than the number of vacant dwellings, and there must be some method of selection between these applicants. Is it not extremely likely that in this selection a little "wise discrimination" will be used, dependent on the political faith of the would-be tenants? Corruption of some kind is certain, I believe, to spring up where political bodies become house proprietors on a large scale. With regard to other municipal enterprises, the danger may not be quite so great, though where there are many voters in the pay of a municipality, there we have a soil in which the germs of corruption are but too likely to flourish. We are justly proud of our civic purity. But we are not incorruptible, and municipal trade is placing a new and serious danger in our path.

Thus in combating Municipal Trade, we cannot, I believe, rely on such expedients as the limitations of borrowing powers, or the prohibition of profit making; whilst we have what appear to me overwhelmingly strong arguments on our side. But, although this is my opinion, I feel as strongly as anyone in this room possibly can do that we ought not to limit ourselves to a merely passive resistance. We must be up and doing. We must go out and meet our enemy half way. In the path of active reform, the first step, it appears to me, is to abolish the restrictions on private trade, which have been adopted to meet the views of the advocates of municipal trade. Taking the case of tramways, for example, some further limitations should be placed on the rights of veto now possessed by municipalities. But when I see how those rights are upheld by many Conservatives, without reference to the harm they are doing, I confess I feel somewhat doubtful as to the possibility of winning in our struggle against this form of incipient Socialism. There is, however, with regard to this trade, an even more important reform to be made, and that is an alteration in the terms of the concession to be granted in future to tramway companies. The term of years must be increased, or the method of fixing the price to be paid if the tramway is purchased at the end of the term must be changed. Private trade is, in fact, greatly hampered by these various restrictions, and as long as they exist municipal trade must present many advantages to which it has no inherent right.

Reforms are needed in other directions; and I should, in the first place, like to point out why it is that the consideration of them has been neglected. Before all Committees of Enquiry, and all conferences, the witnesses and speakers consist mainly of two classes—advocates of municipal trade, and persons interested in the

promotion of private trade. The views of both these parties have often been admirably expressed. But is there not another great class to be consulted? Surely the consumer—that is, the ordinary citizen—ought to have a say in the matter; and yet his voice is generally silent. We ought to bear in mind that one of the sentiments that tells most strongly in favour of municipal trade with the mass of the people is the belief that where trades are managed by elected bodies, there will the consumer most readily get his grievances attended to. Now, in my opinion, though the great companies who manage our gas and waterworks have on the whole served us very well, yet there is a certain foundation for these complaints; and that foundation we ought to remove. Surely when we are granting to private traders valuable rights connected with the use of our streets, would it not be wise to retain the full right to remedy all the reasonable grievances of the future consumers of the commodities thus to be supplied? Yet I think we all now feel that, as regards any minor grievances against gas, electrical, or other such companies, we are in a position of almost helplessness. I am, of course, aware that by increasing the control over private monopolies, we are running into many of the dangers attached to municipal trading. But the dangers of controlled private enterprise, though very real, are much less than the dangers of municipal trade; and as the choice, I believe, lies between the two, by all means let us have controlled private trade. We do not at present pay sufficient attention to the wants of private citizens; and until we do attend more to their grievances, even if many of them are imaginary, it cannot be said that we are doing our best to stop the advancing tide of municipal enterprise.

In conclusion, I should like to be allowed to suggest, with due diffidence, a definite line of policy which the London Municipal Society, and other kindred societies throughout the kingdom, might with advantage adopt. In the first place, I think we should press either for the re-appointment next Session of the House of Commons Committee on Municipal Trading; or for the immediate appointment of a Royal Commission on this subject. Having succeeded in this effort, steps should be taken to ensure that first-rate witnesses, representing the views both of private traders and of consumers, should appear before the appointed body. This, in my opinion, is most necessary. Having thus obtained an authoritative report, that report should be studied, and we should urge on the Government with all our force the necessity of legislation, with the object, on the one hand, of freeing private trade from undue burdens and restrictions, and, on the other hand, of ensuring, in the case of municipal monopolies, a more adequate consideration of the grievances of consumers. In fact, we cannot hope, by putting artificial bandages on municipal trade and by thus rendering it a cripple, to prevent it winning the race; we should strive rather to take off the artificial restraints on private trade, to make it as convenient for the public as possible, and thus enable it to win on its own merits.

In the foregoing remarks I have, of course, only been expressing

my own individual opinions, and expressing them, perhaps, too dogmatically. It is not likely that my views will all meet with general approval. But I think we shall all agree in regarding the encroachments of municipal trade with gravest misgivings, and in saying that it is high time that we should leave our camps and go out and fight our enemy in the open to the best of our ability.

Mr. Sydney Morse: We have to meet a claim that all private trade shall be in the hands of municipalities. Extreme advocates of municipal trading wish to municipalise all the instruments of production and private property. They draw no limit, and some would include even mining, if it would pay. They do not support their views on the ground that management by public authorities would be better; their object is real, undisguised Socialism. The less extreme advocates of municipal trading argue that the profits of private traders should come into the hands of the ratepayers; that trades can be more economically and efficiently carried on by the municipality than by private enterprise.

During my experience of electrical matters I have seen municipal accounts purporting to show large profits on electrical undertakings. But those accounts did not show the true expenditure. For instance, one municipality had invested £1,000,000 in electric light works, and derived a gross income of £12,000 therefrom. What were the charges in the electric lighting accounts for the services of the Town Clerk, the Borough Engineer, the Borough Accountant, and their respective staffs? *Nil* for the first two years, and £50 for the third year. A private trader cannot omit such charges from his accounts, as each business must show a profit after being debited with its full proportion of disbursements. The alleged profits of municipalities on many of these enterprises would disappear if the accounts were properly kept.

I agree with Major Darwin that each trade must be considered separately. But if you allow a local authority to trade in one direction, it is difficult logically to argue that they should not extend their operations in other directions. If they take up wholesale trades, they will also embark in retail branches, and then we shall have a rate-collecting authority competing with the ratepayers—a curious competition, in which the ratepayer is not only damaged in his trade, but has to bear his share of the loss if his municipal competitor trades unsuccessfully.

Electricity is not an article generally required by the ratepayers. Thus, in Salford, where there are 36,000 ratepayers, there are only 400 consumers of electric light; and a charge of £7,500 per annum is levied on the whole body of ratepayers to meet the loss on this department.

I will give you an instance of a check to private enterprise through a municipality trading in electricity. I went to a Town Council with certain gentlemen who proposed to invest a million sterling in electric tramways. The ex-Mayor said to the Council: "Gentlemen, these promoters have to get the consent of the Council for their

scheme. I propose that we shall bleed them. I propose that, unless they take our electrical energy so as to give us a profit of 100 per cent. on its generation, we shall not give our consent." Of course that meant a large increase in the fares. Was that to the best interest of the district?

Local authorities, whilst guarding the public interests, should consider each scheme on its merits, and give facilities for private enterprise to provide services for the public benefit.

Mr. C. A. Whitmore, M.P.: As a London Conservative member, and as a member of the Moderate party on the County Council, it has been my lot, as a rule, to be an opponent of the schemes of municipal enterprise proposed by that body. But I see that to-night I must show that one who opposes these particular schemes is not necessarily a universal theoretical opponent of all municipal enterprise, or an undeviating defender of all private enterprise. I am led to this course by the speech of the last speaker, the tone of which seemed to me to be too one-sided; and I am not sure that I can go so far even as Major Darwin in his admirable address. As regards the relative merits of municipal and private enterprises you cannot lay down any hard and fast rule. What we have to think of are the particular circumstances of each case. Whether we have a good Borough or County Council; whether they are actuated by distinct administrative motives, or ulterior political motives; what is the character of private enterprise in that particular place, and as to the particular service concerned. As citizens what we want is a good water and gas supply, and good tramway and railway systems. I do not think that the ingenuity of man can *a priori* say that all these systems and services in their entirety will necessarily be best provided for the particular locality by a locally-elected body or by private enterprise. Take London. We wish to have the best possible services; but we have been confronted by the political difficulty created by the Progressives. They wanted to make the County Council a labour utopia, a machine for exploiting ulterior aims, and they obliged the Conservatives to take up a rigid line against the extension of municipal enterprise. But at the same time we have the case of the steamboats on the Thames provided by private enterprise. These have now apparently altogether ceased to run, and I should be very sorry indeed if anyone should say, from some *a priori* rule about private enterprise, that we should negative all proposals of the London County Council to start a satisfactory steamboat service. Surely what we want is expediency rather than some *a priori* theoretical motive. May I say this also? It does seem to me in all these administrative matters that much more depends upon *personnel* than on any amount of theory. I do not suppose there is any doubt that some provincial boroughs manage to get excellent business men returned to their councils who wish to give good electric light and tramway services without any political motive at all.

It is very commonly said that on the whole we have better

practical men on the boards of private enterprises. Do not let us be carried away too much with that idea. I, too, think this is frequently, but not invariably, true. Private enterprise has had a very long lease, and has done very well. But are we quite sure that all our railway, gas and water companies get the best men of business? It is no good for us, because we dislike the majority of the London County Council, because we rather dislike popular elections, to take up a blind attitude in favour of private interests when these are mismanaged, as in too many instances they are.

May I add this? The public bodies have come to stay. We shall never get rid of county councils and borough councils, and we shall never get rid of the powers they have. What we have to do as Conservatives is to take care to return sensible business men. If we do that I do not think we need have any fear of municipal enterprise or its undue extension. Our fears have been due to the exceptional character of the London County Council. If you take an ordinary provincial borough council, I cannot see why anyone should dislike for them to deal with the water supply of the locality. If we are badly represented on the London County Council it is our own fault. Surely, as these bodies have come to stay, it would be stupid to take away from them the possibilities of public utility, which they at present possess. Sooner or later the stupidest resident in Belgrave Square will understand that the rates are dependent on the action of municipal bodies, and that that action depends upon their composition. I believe that gradually he will see that the representatives he returns are businesslike men. Much as I am in favour of unrestricted private enterprise, I do really implore you not to cast in your lot with any fast and rigid *a priori* system of opposition to municipal enterprise. It may be good in this place, bad in that, good for this object, bad for that, but whether it is good or bad depends entirely upon whether the ratepayers like to take the trouble to see that the powers they have are well worked. This speech has been rather drawn from me by the speech of Mr. Morse, which seems to me to be too partisan on the side of private enterprise. On the whole I agree with Major Darwin, but do not let us set up a fetish that municipal trade is always and everywhere and necessarily bad.

Sir J. Dorington, Bart., M.P.: I venture to say, in reply to Mr. Whitmore's argument, that the actual facts we have to deal with are whether municipalities—good or bad, constructed out of the finest or the worst materials—should trade; whether this is good for the community at large. Are we as a people to abdicate all our enterprise and capacity as private individuals in favour of certain bodies that we happen to select, to give to them all future control of everything we are now capable of doing as individuals ourselves? That is the broad statement upon which to argue. I think Major Darwin has taken a perfectly fair and just view. Each case must be judged on its merits, but you would always, in deciding the question, have to consider whether you would get

greater efficiency through municipal or individual management. The municipality should not interfere except on the failure of private enterprise. London does not owe its water supply to municipal enterprise. The municipality would take no part in the venture. The magnificent property of the New River Company resulted from the fact that Sir Hugh Myddleton spent his fortune in that enterprise. The water companies, after many years of struggle through difficult and troublous times, at last made their enterprise successful. Municipalities in like case would have charged the ratepayers for many years with very heavy losses. Many things, not so necessary as water, would not be undertaken at all unless initiated by private enterprise. Supposing the municipalities had been generally the owners of the gas works all over England, would they not have thrown every obstacle in their power in the way of the introduction of electric lighting? That is an illustration of what must necessarily arise. Electricity is now the fashionable thing: how do we know that it is the last development of science? Is it not probable that in the progress of science some new force may be discovered in the next hundred years? If the municipalities are owners of electric works they will offer the most strenuous resistance against the introduction of any new system, and experience shows that they would be powerful enough to retard its progress. I look upon municipal enterprise, from that point of view, as one of the most dangerous factors that we could introduce into our domestic life. It would stereotype all enterprise, and would gradually reduce us to the stationary condition of the Chinese Empire. We must resist that crystalisation of our community to such a form that it can never possibly move at all.

On the whole, I am of opinion that the present desire to extend municipal trading is very undesirable from a social point of view; undesirable on financial grounds, from its tendency to restrict personal and private enterprise, and because it is apt to burden the ratepayer with the cost of enterprises which he would not touch himself, and which often prove to be disastrous to the community.

Mr. E. A. Goulding, M.P.: I rejoice at the tone of the speech of Mr. Whitmore. I think it is certainly most undesirable that we should lay down a hard and fast rule as regards municipal trading, without considering each and every one of the particular subjects as they come up for discussion. One point as to the housing question. Major Darwin has said he considers one of the grounds of interference by the municipality is that of health. None can be more clearly defined than that of housing. In London, great corporate bodies, like the Peabody and the Guinness Trusts, have made attempts to grapple with the question. I ask the production of one instance where private enterprise has been stopped by the action of the London County Council. Some of us on the London County Council may have opposed particular plans put forward at the time by the dominant party, because we maintained that they were

catering for classes which could cater for themselves. We argued that they should take in hand the interests of those who could not take care of themselves, and that the houses erected by the County Council would not meet the demands of the very poor. The housing question is in the keeping of the Conservative party. Every Housing Act is due to the Conservatives. Municipal trade in housing should have very essential recognition on our part.

Connected with the housing question I take the question of the trams. I say that, as the trams appropriate the roads and cause inconvenience to the general public, any profit should go to the community. And as the proper development of the tram system must help the housing problem, I sincerely hope the members of the county and borough councils will see that the trams are kept within the domain of the public authority. I am inclined to think that what Mr. Whitmore said was perfectly true. When the London County Council was started the Radicals stole a march by saying it was not to be political; but they have made it so. We went into the Council rather inclined to look through coloured spectacles. Our action in opposing put them into extremes. We want to take each question on its merits; not call it an encroachment on private enterprise and taboo it accordingly. I believe that if we only show ourselves perfectly keen and alive to deal with the questions of housing, locomotion, and matters of that kind, London will assert its known feeling towards the Conservative party, and put them in a majority on the County Council, as on the borough councils.

Mr. Porter: I must point out the general principle in relation to this difficult question. Every speaker has referred to the tramways as one of the most important matters in regard to which we have municipal trading. When the Royal Commission was sitting with regard to the amalgamation of the City and County of London, a witness from an important town said that while, as the rating authority, they controlled the laying down of tramways, because of the enormous temptation to submit to political influences they would not work them. In working them they would have to employ so many voters. This principle is difficult to apply, but it is something to know that although it may be expedient to control the laying down of the tramways, we ought to abstain, as representatives on the County Council or elsewhere, from any action which may make us subservient to a large number of employees. We have an example in the Works Department. We have another difficulty, the necessity of relieving the over-congestion of London itself. It is obvious that inasmuch as the County Council and other great bodies are determined to do what they can to meet what is called the housing question they must go in for municipal trade, and the extent to which they go into competition with the private trader is unlimited. We have always struggled against monopolies. It is a bad thing for municipalities to become monopolists. I agree with Mr. Whitmore, that as a general principle in different localities there may be different circumstances.

Major L. H. ISAACS.: Major Darwin did not convince me beyond two points, *i.e.*, the necessity for municipal trading with regard to water supply for a town of any importance, and with regard to the disposal of its sewage. There should be some limit to the aspirations of municipal bodies. I cannot agree that the builders in London would not be equal to the supply of dwellings for the working classes. In Holborn and Leather Lane the London County Council have made clearances and put up buildings impossible for the dispossessed people to rent. The question of housing in London is indissolubly associated with locomotion, and a Select Committee of the House of Lords is considering underground communications, which will go far to solve the question. Working men cannot be housed in the centre of the metropolis, they must go outside London.

Mr. R. M. BEACHCROFT, L.C.C.: We have, I think, drifted away from the subject matter. We all agree, I think, with Major Darwin that all unfair restrictions should undoubtedly be removed from private enterprise, and that, so far as possible, control of private enterprise is preferable to municipal trade. British trade is flagging while municipal trade is increasing, but it is time we took note that local indebtedness is also increasing. The local debt of London was 32 millions in 1889; it is now 50 millions.

What we have to consider is, What limit can be placed upon municipal trading? I think what is wanted nowadays is a happy mean, something between Lord Avebury and Sir Albert Rollit. It is no use to put such a drag on the municipalities as to prevent them from performing their primary duties, which are to serve the interests of their localities. Liverpool, Manchester, Glasgow, as well as London, are all forging ahead—their municipal enterprise seems to be successful and satisfactory. Liverpool makes a large annual profit on its markets; Manchester has applied £750,000 to street improvements; and Glasgow has reduced its gas rate nearly 50 per cent.

Although the opener suggested restrictions, I would like to see regulation—not prohibition. Mr. Emile Garcke, an electrical witness, before the Committee on Municipal Trading, said:—

"I am in favour of the municipalisation of industrial undertakings which have for their object the rendering of a public service . . . but I am strongly opposed to what is called municipal trading. . . . Undertakings should be carried on by local authorities with a view to rendering a service better, more efficiently, and more cheaply than can be done by private enterprise. . . . We are very strongly opposed to their conducting those operations with a view to a profit. . . . The surplus should not be applied for providing some other enterprise. . . . That would be bad finance."

This points to the conclusion that one of the regulations which should be imposed on all municipal authorities who undertake trade

should be that they do not make a profit. In Scotland the municipalities do not work for a profit. If in London and other English towns such an embargo were placed upon the corporations, you would hear much less of interference with private enterprise. Ratepayers would exactly know the profit or loss on each undertaking, which at present they do not. I believe that temptations to embark on speculative enterprises, and attacks on private enterprises, would be greatly minimised.

Mr. ANDERTON: It is exceedingly difficult to lay down any definite principle by which we can say where municipal trading is to stop. That some municipal trading is likely to continue we must all agree. I would submit that it should be a condition that the enterprise should be for the benefit of the ratepayers as a body. This, I think, is something like the main principle. I would not say, however, that there may never be cases in which one would have to go beyond that line. Then we come to another important question. If you extend municipalisation of industry, you will in the long run be confronted with the danger indicated by Major Darwin—that of electoral corruption. I have always thought that, as far as London was concerned, it was a very lucky thing indeed that the Government established borough councils, because they subdivide work which might have been under the control of one body.

Mr. CROLE-REES: As a borough councillor I argue that we are not returned to do trading, but to look after health, streets, sewers, and so forth. Mr. Whitmore said, return the right men. Do the ratepayers do it? No. It is difficult to judge municipal accounts. Works committees make the building estimates as high as possible; then build within them, and say, "How cheaply we are doing it." The tendency is to increase of rates, because we are attempting to do that which is not our business.

Major DARWIN: In regard to what Mr. Whitmore has said, I find myself in accord with him, but perhaps we weighed arguments somewhat differently. The argument on which I laid stress was that municipal trade actually damaged electoral bodies. In the case of tramways you ought to secure the profits to the town, but the choice is between the tramway company paying a rent, and the municipality working the trams and getting a profit. Mr. Beachcroft has entered upon a very difficult question, with which I would rather not deal to-night. I feel that any proposal in the nature of preventing profits is illogical. Supposing you compel a ratepayer to give money towards an electrical industry, and it does him no good; he logically demands some compensation. Also I feel rather strongly that if you prohibit the making of a profit and passing it into the general fund of the municipality, it will necessitate a vast amount of supervision. I should, however, be only too ready to be con-

vinced on this point, and Mr. Beachcroft has done something towards convincing me already.

The CHAIRMAN: The difficulty has been the question of laying down some principle with regard to municipal trading. That to some extent it is admissible and advantageous no one denies. There have been cases in which the municipality could possibly do work which a private person could not so well do, and might do it for the advantage of all interested and even gain a profit. Let us try if we can get a definition. In the first place, the municipal government is established for the purpose of safeguarding the interests of the people. Its primary duty is not to make money, but to deal with those things which come home to the ordinary convenience and life of the inhabitants. It is not desirable to go beyond that. For a municipal body to undertake to sell bread would be ridiculous, and have no relation with the purpose for which it is established. It is easy enough to put extremes, but let us see if we cannot get a principle that will guide. In the first place, municipal trade cannot be in principle sound unless it is connected with something directly connected with *inhabitants*, not as individuals who may or may not buy anything. There must be some limit, as I think was rightly expressed. Whenever there is anything in the nature of a monopoly, then I think the municipality has the right to say that the monopoly, if granted at all, shall be granted for our benefit. If a right is given to a company in such a way that no other person can effectively compete with it, a municipality is quite justified in saying, "We do not grant the monopoly to an individual: we keep it and appropriate all the profit we get." There is no obligation to grant to a tramway or gas company the monopoly of laying down mains or occupying the roadway. There are many dangers with regard to municipal trading, one of the most important being that of bringing a large part of the population into the direct service of the municipality, a mischief of the deepest possible character, leading to corruption in political affairs and mismanagement. But to a great extent that would be met by a requirement which ought to be imposed upon every form of municipal trade, *i.e.*, that the accounts should be kept absolutely separate and distinct, and that the profits upon each particular branch should be devoted to the purposes of that particular undertaking. If a municipality, by carrying on a tramway service and appropriating its profits to this particular undertaking, were able to carry the people for a very small charge, it would be an enormous advantage. So long as the profits were limited in this way, I think there is very little danger; there is nothing new in that suggestion. When Parliament now gives power to a gas company to raise fresh capital, it is given under the condition that no more than a certain interest shall be paid, and that the charge to the consumer shall be reduced in proportion to the advantage which the shareholder gets. A perfectly sound system; but if sound in regard to private enterprise, it should

be adopted in the case of a public undertaking. In our own political system we have a very remarkable instance in the Post Office. Supposing the Post Office were obliged to devote all the profits it made to reducing the charges for letters and telegrams, I believe this country would be very much better off than it has been by applying the profits to the several purposes of the State. This is one check which I think could properly be put on municipal trade. What I should like to see is the re-establishment of a strong committee with regard to the question of municipal enterprise. It ought to be reappointed as strong as possible, and would lay down propositions of great value. These propositions are, in the first place, that municipal trade should only be allowed in matters incidental to the good government and keeping of the district in which it is carried on. I do not include the provision of houses. I think that the work that has been done by public authorities, including the London County Council, in this matter has had a most mischievous effect. But that would be excluded by the proposition which I am laying down? First, it must be something incidental to the good government and administration of the district; next, it should be in the nature of a monopoly. They must not go on with the advantage of the rates behind them, and cheap borrowing, to compete with people who are carrying on a private business. In the next place, profit should be so dealt with as to form a sinking fund, or one for the diminution of the charges for the service which the municipality has undertaken. I think that within these limits municipal trade may not only be allowed, but in some respects it would be advantageous. There are two dangers. One has been indicated: the employment of the large number of persons by the municipality, and the possibility of corruption. There is no more serious danger. Where you have the claim of the municipality to act, as in the case of trams or of gas, it may very possibly be that you are enlisting the self-interest of a body against any possible improvement either in traction or light. It is very clearly shown in a great many parts of this country, with regard to gas and electricity, that the municipalities are largely interested in gas companies; and if that had not been so we should have been in a position to enjoy the advantages of electric lighting as they are enjoyed in Spain and Siberia. Practically, this country is behind all other countries. There is the danger that if you commit the municipality to a particular form of industry, that you set up a great obstacle to future improvements. I think that if you limit the services to the interests of the whole, as distinguished from competition in trade, and limit the application of the profits within those interests, municipal trade may be carried on, and without some of the disadvantages created by erratic and extravagant forms of municipal trade in London and elsewhere.

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